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C O N F I D E N T I A L SECTION 01 OF 02 KHARTOUM 001626

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TAGS: [EAID](#) [ECON](#) [EFIN](#) [EPET](#) [PHUM](#) [PREL](#) [SU](#)

SUBJECT: NO CONTINGENCY PLANNING FOR OIL SHOULD SOUTH SECEDE

REF: KHARTOUM 1177

Classified By: DCM ROBERTO POWERS, Reason: Section 1.4 (b) and (d)

¶1. (C) SUMMARY: In a series of interviews conducted between September 24 to October 6, petroleum industry insiders and officials from the Ministry of Energy and Mining told EconOffs and visiting Washington analysts that there is no contingency planning for the oil sector in the event the south votes to secede in 2011. END SUMMARY.

NO CONTINGENCY PLANNING

¶2. (C) On September 26, Deputy Secretary General of the Ministry of Energy and Mining (MEM) Hamad Al-Neel Abdel Gadeir told EconOff that his ministry has not planned for possible southern independence. State Minister of Energy and Mining Angelina Teny explained the lack of planning as a matter of priorities; the MEM needs to focus on the immediate problem of training southerners in the technical and managerial aspects of the industry. Gadeir added, "The south should remember that we (unlike them) have both oil and infrastructure in the north."

¶3. (C) Separately, oil industry businessmen told EconOffs that they have not considered how an independent South Sudan would affect the oil sector. Dr. Yousif Mohamed Ahmed, the Vice President of the Greater Nile Petroleum Operating Company, told EconOff on September 29 that his company has not engaged in any contingency planning for possible southern independence. Likewise, on October 4, Dr. Alam Bagi, a Sudanese citizen representing the Swedish firm Lundin in Sudan, said that contingency planning is unnecessary. Bagi stated that should the south secede and nationalize the wells or attempt to re-negotiate oil contracts, they would essentially be "shooting themselves in the foot." Bagi said, "In the risky business of oil, one's reputation in the global market is remembered. If the south kicked out the existing companies upon secession, they would scare off future investors. They are wise enough to know that it is in their best interest to keep the companies. Even if the south secedes, the same companies will continue to operate."

¶4. (C) Bagi did express concern that southern independence might damage Sudanese society. Bagi said southern independence would be an opportunity for radical Islam, stating that the Muslim moderates in the north need the south and its religious diversity otherwise "they (the extremist Muslims) may impose a rigid Islamic system on us all."

(BUT SPECULATION OF A PIPELINE TO KENYA CONTINUES

¶5. (C) Despite the consensus among government officials and

industry insiders that contingency planning in the event of southern secession is not warranted, a number of industry officials did comment on the possibility of a pipeline from southern oil fields to Kenya. Several officials said that were there a pipeline from the southern oil fields to Kenya, the south would no longer rely on the north to deliver oil to market. Egyptian national Hisham Aboulela of TAM oil services stated that an unnamed Chinese company recently conducted a feasibility study for building a pipeline running to Mombassa, and conjectured that the Government of Southern Sudan (GoSS) was looking into funding the project. The independent English language daily, the Sudan Tribune, repeatedly reported that Kenyan officials, including the managing director of the Kenya Pipeline Corporation and the Kenyan Minister of Energy, proposed constructing a pipeline from South Sudan to the Kenyan town of Lamu, estimated at a cost of \$1.4 billion.

¶6. (C) The Norwegian Oil Envoy to Sudan, Anders Hannevik, said that a pipeline from the southern oil fields to Kenya would not be feasible. It would be longer than the distance to Port Sudan, pass through rough terrain and multiple borders, and require expensive pumping stations and support infrastructure. (Note: Contrary to Hannevik's comments, Kenyan officials have stated that the distance from Kapoeta to Mombassa is only 1020 km, as compared with the 4,500 km from Kapoeta to Port Sudan. End Note.) Angelina Teny, the State Minister of Energy and Mining, said she was unaware of any proposals for a pipeline running from the southern oil fields to Kenya. She noted that the GoSS is working on plans to develop a pipeline that would take refined oil and gasoline from Obyeid to Adok, and then by a barge to Juba.

¶7. (C) COMMENT: Government oil officials and insider

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comments that they have not considered secession seem to run contrary to widely held views that south Sudanese favor secession. (Note: Repeated USAID focus groups, available at www.ndi.org, have indicated widespread southern support for secession. End Note.) However, post can not discount the possibility that the officials we spoke to were simply avoiding a politically sensitive topic or guarding their strategy. The continued presence of Sudanese Armed Forces troops in the southern oil fields and the existence of private oil security forces endorsed by the National Intelligence and Security Services (reftel) indicate National Congress Party contingency planning of a different kind.
END COMMENT.

POWERS